

12 February 2026

# ajb Q4-25 Earnings Call

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## Aljazira Bank Earnings Call Transcript Q4 2025 Financial Results

12 February 2026

**Mr. Jassim Aljubran, *Aljazira Capital***

Good afternoon, ladies and gentlemen. This is Jassim Aljubran from Sell-Side Research at Aljazira Capital. On behalf of Aljazira Capital, I would like to thank you all for taking the time to join Aljazira's Bank FY 2025 earnings call.

I'm pleased to welcome our panelists on the call today: the Chief Executive Officer, Mr. Naif Abdulkareem; the Chief Financial Officer, Mr. Hani Noori; the Treasurer, Mr. Hani Araki; the Head of Corporate and Institutional Banking Group, Mr. Sami Almehaid; the Head of Retail Banking Group, Mr. Mohammed Al Mousa; and finally, the Group Head of Investor Relations, Mr. Majid Khan.

We will start the call with remarks from management before opening the floor for participants for a Q&A session.

I will now hand over to the Group Head of Investor Relations, Mr. Majid Khan.

Mr. Majid, the mic is yours.

**Mr. Majid Khan, *Head of IR***

Thank you, Jassim, for hosting our call. Good afternoon, everyone, and welcome to Aljazira Bank's FY 2025 earnings call. Today, as Jassim introduced, we have our CEO, our CFO, and the management team with us. Mr. Naif Abdulkareem will start the presentation with a strategy update, followed by Mr. Hani Noori, who will take us through the financial performance for the full year 2025. The presentation will be followed by a Q&A session. With that, I will hand it over to our CEO.

**Mr. Naif Abdulkareem, *Chief Executive Officer***

Thank you, Majid and good afternoon, everyone and thank you for joining us today on our fourth quarter 2025 earnings call. We appreciate your continued interest in our bank and trust that today's discussion will be both informative and insightful. 2025 was a landmark year for the Bank - one that demonstrated, with clarity, the strength of our business model, the quality of our strategy execution, and the resilience of our team.

We delivered record full year net income of 1.5 billion  $\text{SAR}$ , up 22% year-on-year, reflecting broad-based growth momentum across all business lines. This performance was the outcome of disciplined execution across revenue generation, cost management, balance sheet growth, and managing capital simultaneously.

Operating income grew by 18% supported by robust growth in both funded and non-funded income, including 28% surge in fee and other income. On the backdrop of highly competitive deposits market and interest rate cuts we managed to improve net margins. We continued to improve cost efficiency, and cost-to-income ratio dropped by 3.6 ppt.

From Balance sheet perspective, we delivered a sizable expansion, total assets were 11% up, and net financing 14% up with strong growth across all business lines. Asset quality remained stable - NPL ratio improved, coverage strengthened, and our cost of risk remained moderate, reflecting the rigor of our underwriting and the discipline of our risk management framework.

From the capital perspective, through a combination of strong internal profit generation and our Tier 1 Sukuk issuance, total equity expanded by 25%, reinforcing the foundation for future growth.

On Guidance for FY 2025, we met or exceeded on nearly all key metrics, including financing growth, cost efficiency, capital ratios, and returns. Looking ahead to 2026, we remain focused on delivering profitable, high-quality growth, advancing our operational efficiency, and accelerating execution of our five-year transformation strategy. We are well-positioned to capture the significant opportunities that Saudi Arabia's evolving economic landscape continues to present.

Now we will move to slide 4 to discuss Strategy updates.

I'd like to start the strategy review with a very important development - the rebranding initiative of the Bank.

In Q4 of 2025, the Bank introduced its new brand identity, reflecting a strategic evolution aligned with the Bank's long-term direction. The new identity reinforces the Bank's focus of being the bank of choice for affluent individuals, corporates and institutions offering integrated solutions across all segments: retail, corporate and investments.

The new brand positioning also underscores our focus on technology, innovations, operational excellence, and digital enablement aiming to ensure best possible customer experience. Importantly, our brand promise is fully aligned with broader economic vision and national priorities of the Kingdom and support for Vision 2030. The new brand reaffirms our commitment to pursue growth and deliver sustainable long-term shareholders' value.

We will now move to slide 5 to discuss the strategy progress.

The refreshed strategy amplified by the recent rebranding focuses on affluent retail clients and corporate partnerships. It positions ajb as a well-established boutique bank with strong upside potential in the growing Saudi market. Our transformation agenda continues to move forward as we enter the third year of our current strategy. Our strategy remains firmly on track and we will continue to make strategy

progress across our transformation initiatives. We are strengthening our core capabilities and enhancing efficiency through the digital first approach. This transformation is positioning the bank to become the bank of choice.

We will now move to slide number 6 to discuss strategy progress. Here I would like to take a step back from the quarterly narrative and present what we believe are the compelling aspects of our story and consistency of our delivery since the strategy was launched in the end of 2023. This slide encapsulates the progress that our bank has made since we embarked on this strategy. We are making a meaningful progress across dimensions of business growth, deepening client relationships and broadening product capabilities, and we have elevated the franchise to a new level of performance.

Beginning with the scale, our balance sheet has been growing steadily and meaningfully across assets, financing and liquidity, each with a double-digit compound annual growth rate. On profitability, the trajectory is equally encouraging: both our operating income and net income had strong compound annual growth rates over this period. Turning to efficiency, we have made a sustainable progress in improving our expenses ratios. Taken together, this consistent progress across every dimension reaffirms that the strategy is working and that the foundation we have built will sustain this trajectory beyond 2026.

We will now move to slide number 7 to discuss corporate and retail strategic initiatives. Our strategy remains very well on track as we continue to make tangible progress across the transformation initiatives. Overall, we have 41 transformation initiatives, 12 have been already completed, 11 are planned for this year, 2026, and 19 more are long-term ones set to be completed during 2027-2028. With clear priorities and disciplined execution, we are confident in achieving strategy targets and ambitions.

More specifically, in 2025 in the Corporate segment we:

- Achieved 25% growth in the total SME portfolio;
- Achieved 38% Growth in Mid-Corp portfolio and 8% growth in Large Corp, thus continuing to deliver robust growth in funded portfolio;
- Continued digital transformation and revamped the e-Corp platform with more features added.

In the Retail segment during the last year we:

- Continued to move towards the goal of being the bank of choice for affluent clients and achieved 12.6% growth in customer base and 6.6% growth in Naqaa deposits;
- Continued to build customer-centric digital journeys across the mobile app and website: we achieved 40% YoY growth in individual account openings, launched market-first Google Pay, and we are proud to have won multiple "Digital Banker Awards", including Best Digital Experience and Best UX 2025;
- Finally, we continued to grow core assets and deposits and optimized operations, reducing mortgage lending turnaround time by 33%, from 18 to 12 days.

Now we will move to next slide 8 to discuss the impact of digitalization on our transformation agenda. Digitalization continues to drive growth and improve efficiency. In 2025 we achieved the following:

- We successfully delivered all core transformation platforms, shifting focus from build to value realization;
- That delivered tangible business results: 31% growth in online account opening and 80% growth in retail personal finance via digital channels;
- We operationalized AI at scale, introducing AI as a key strategic pillar which resulted in higher customer deposits retention, more digital sales of assets products, and onboarded 40% more companies digitally.

Looking forward, our focus will be on the following areas:

- Building new digital products and migrating legacy offerings onto modern platforms;
- Scaling AI and launching 10+ new use cases in AI banking, Sales and Support using GenAI, Voice, etc.;
- Delivering next-generation payments and modern liquidity management capabilities;
- And introducing new DR site and compliant in-house AI.

Moving to slide 10 for the ESG update. In 2025 we continued to progress on ESG front. ESG is fully embedded across all operations of Aljazira Bank, and we see growth through the lens of sustainability.

In the environmental area we see good opportunities in green finance as the Kingdom advances its alternative energy infrastructure. In terms of our own housekeeping, we recycle plastic, cardboard and paper, offsetting carbon emissions. On the social side we continue to invest in employees' professional growth and wellbeing, resulting in enhancing customer experience and supporting communities across the Kingdom. And on the governance front, we adhere to the highest standards of corporate governance. We acquired multiple ISO certificates and continue raising awareness on Islamic banking. Last not least we are honored and proud to have received a number of important and prestigious awards in the ESG area.

Now I am handing it over to Hani to discuss the financial results in more detail.

**Mr. Hani Noori, Chief Financial Officer**

Thank you, Mr. Naif and good afternoon.

The Bank demonstrated a strong growth momentum in 2025. The balance sheet grew by 11%. The growth was primarily driven by 14% growth in net financing and 7% growth in investments. The growth in assets was funded by 7% growth in customer deposits and 25% growth in equity which is driven by growth in retained earnings coupled with Tier 1 issuances during the year. Importantly, the growth was evenly paced across all four quarters, reflecting consistent origination and disciplined deployment rather than any single-quarter concentration.

Lets now move to Financing on slide 13. Net financing grew 14% to 110.9 billion  $\text{ﷲ}$ , with growth well distributed across both sides of the book – commercial was up 16% and consumer was up 12%. In the Commercial book, growth is spread across different customer segments, mainly driven by mid-corporates and MSME, both in double digits. The high growth in mid corporate and MSME stems from both sizable demand and our targeted lending initiatives. On the consumer side, auto financing was leading the growth with 92% growth, albeit from a smaller base. Residential financing grew 8%, and we saw a sizable increase in off-plan mortgage sales during the year. This segment is strategically important given the structural demand dynamics in the Saudi housing market.

We'll now turn to investments on slide 14. In 2025 investment portfolio grew by 7%, broadly aligned with our long term strategy. 78% of the investment portfolio consists of government and quasi-government securities, which makes it very liquid and of very high quality. Over 82% of the investments is fixed rate instruments, we have been increasing this proportion to lock in higher yields and help mitigate interest rate risk.

Let's now look at liquidity on the next page. On the Liabilities side, we funded strong balance sheet growth with diversified mix, primarily from customer funding while equally supported by interbank, and Sukuk portfolio. Total liabilities increased by 9%, driven primarily by expanding customers' deposits base and increase in interbank funding. Headline LDR increased by 6.5 % which reached 96% while the SAMA-weighted LDR remained almost flat YoY. It has comfortable buffer versus regulatory maximum and makes us well-positioned to grow. On the regulatory ratios, our LCR strengthened 185% by year-end, driven by 19% increase in high-quality liquid assets to 28.9 billion  $\text{ﷲ}$ . NSFR stands at 114%, comfortably above the 100% requirement.

Let's now move to customer deposits on slide 16. Customers' deposits grew by 7% overall, that growth was driven by 12% growth in time deposits and a strong 23% growth in savings and call deposits. Demand deposits were under pressure due to tight liquidity in the market and a very competitive environment and contracted by 7%. That led to a moderate reduction in the share of CASA deposits to 41.6% and a shift in the segmental mix.

Let's now move to the P&L-related items on page 17. Net income for 2025 rose by 22% year-on-year, driven by a considerable 14% growth in net financing and investment income due to higher NIM and larger book, and a remarkable 28% growth in fee and other income coming from fees from banking services, dividends and FX revenues. Operating expenses increased by 10%. Impairment charge increased by 29%, that was due to one-off reversal of impairment for real estate in 2024. Adjusted for that the impairment for financing rose by 11% which is consistent with portfolio growth.

Let's now take a close look at the breakdown of income components on next slide. Net financing and investment income grew by 14% to 3 billion  $\text{ﷲ}$  driven primarily by the expansion of our financing book, partially offset by higher funding cost due to volume. On the asset side yields were supported by changes in the asset mix, increase in book size and growth in higher-margin products and segments. Net Margin expanded by 3 bps year-on-year to 2.06%, on sequential basis the margin increased to 2.01% in Q4 2025 compared to 1.90% in Q3 2025, reflecting the impact of assets mix changes and higher interest rates.

Let's now move to fee and other income on slide 19. In 2025 we saw a robust growth of fee and other income of 28% year-on-year. Net fee margin increased by 13 bps to over 1%. Share of fee and other income in operating income reached almost one-third, and the coverage of operating expenses rose to 63%. We continued to maintain strong exchange income which increased by 27%, supported by our targeted initiatives to further strengthen our market position in that business. In 2025 we increased non-funded exposure by 33% which also was a strong contributor to fee income generation.

Net fee income from banking services increased by 22% with strong performance of key components: mutual funds income grew by 61%, reflecting continued product expansion on Aljazira Capital side, trade finance fees were 20% up, and fees from cards business increased by 2.4 times.

Let's continue to operating costs on slide 20. We are pleased to report that our operating income continues to grow both due to scale and costs discipline, and we delivered strong revenue growth while keeping expenses growth firmly under control resulting in a meaningful improvement in our cost-to-income ratio. Our Operating income increased by 18% in FY 2025, supporting expansion of operating jaws, lower cost-to-assets and cost-to-income ratios. Cost to Income ratio improved to 52.4%, 3.6 ppts lower compared to the previous year, while expenses to average earnings assets improved by 2 bps to 1.7%. Our cost structure includes our continued investments into transformation and technology as well as into human capital that will deliver structural efficiencies and lower cost-to-income ratio on the strategic horizon.

Let's now turn to credit quality on slide 21. Asset quality remains solid resulting in moderate cost of risk and drop of NPL ratio and share of Stage 3 loans. Cost of risk stood at 36 bps, slightly up versus 2024 but still at a moderate and comfortable level. Share of NPLs dropped by 18 bps to 1.03%, and share of Stage 3 loans dropped by 1.19 ppt to 2.26%. The NPL coverage ratio remains robust at 186%, reflecting

prudent provisioning. As Stage 3 coverage strengthened to 62.1%, while Stage 2 coverage declined to 7.3%. We remain confident in the quality of our risk management system.

Moving to capitalization on slide 22. Our capital ratios strengthened throughout the year and in Q4 supported by healthy organic capital generation, Tier 1 Sukuk issuances in Q1 and Q3 2025. Larger capital base was partly offset 12% growth in risk weighed assets reflecting continued financing growth and higher non-funded exposure. RWA density increased during the year but went down in Q4 and remained almost flat year-on-year, at 73.9% at year-end. The Q4 reduction reflects completion of several capital optimization projects that we undertook in 2025. At year-end, capital ratios remained solid, with CET1 at 12.3%, Tier 1 at 17.8%, and the total capital adequacy ratio at 19.9%. Generally, we have a comfortable capital position, well above regulatory requirements, including the recent tightening announced by SAMA. It allows us to pursue further profitable growth and continue expanding the balance sheet in line with our strategy.

Turning now to profitability on slide 23. In 2025 we improved the profitability. EPS grew by 23% versus 17% growth in 2024. ROAE was 7.68%, 40 bps up year-on-year, and ROAA was 96 bps, 8 bps up year-on-year. In the long run we remain committed to improving profitability through broadening revenue streams and enhancing operational efficiency.

Let's look at our segmental performance on slide 24. Looking at the business mix we see each business segment contributing to the bottom line and the balance sheet expansion. Total assets increased by 11% and reached 166 billion  $\text{AED}$ . This expansion was led by the Corporate segment which grew by 16%, followed by Retail which added 13% in size, also supported by 4% growth in Treasury assets and 21% growth in the Brokerage and Asset Management segment.

The robust 27% net income growth was driven by Retail and Brokerage and Asset Management whose revenues grew by 29% and 54% respectively, also supported by 38% growth in Corporate and Treasury result.

Finally, turning to guidance on page 25. We remain focused on delivering profitable growth and expect our financing growth to moderate to high single digit while the NIM will continue gradual bounce back that started in Q4 and be between 2.05% and 2.10%. Net Margin will be positively impacted by changes in the asset mix with growing proportion of higher-margin products. We believe our guidance is a right balance between a more selective growth and defending financing margins.

We expect the asset quality to remain solid and guide cost of risk in the range of 35-40 bps, also in view of the changing asset mix with higher share of MSME financing and auto leasing.

We will continue improve cost efficiency and expect cost-to-income ratio to improve further, to below 52% driven by revenue growth and strict cost discipline while we continue to invest in strategic transformation.

We maintain Tier 1 capital ratio guidance of above 17% supported by expected retained earnings offsetting RWA growth. Our capital position gives us enough headroom to pursue growth while keeping the prudent and resilient balance sheet structure.

That brings us to the ROE of above 7.75% as we target further profitability improvement, also taking into account Tier 1 issued in 2025.

This concludes the presentation and now we are ready to move to Q&A.

## Questions & Answers Section

### Mr. Jassim Aljubran, *Aljazira Capital*

Thank you, panelists, ladies and gentlemen. We will now commence the Q&A session. You may raise your hand to speak with our panelists by pressing the hand icon on your screen, or alternatively, you may submit your question through the Q&A chat box.

Please limit your questions to two at a time so that we can accommodate as many participants as possible. However, you are more than welcome to join the queue if you have any follow-up questions. When asking your question, please introduce yourself with your name and the company you represent.

Without further ado, the Q&A session is now open.

Our first question today comes from the line of Mr. Murad Ansari. Mr. Murad Ansari, your line is now open.

### Q: Mr. Murad Ansari

Thank you for the presentation, and congratulations on a good year. I have two questions on the results and the outlook.

Firstly, on your NIMs. Please correct me if I'm wrong, but I think in the previous presentations your 2024 NIM was stated as 1.99%, and you've ended the year at 2.06%, so that's about a 7-8 bps improvement. However, in the current presentation you show 3 bps improvement. Has there been a restatement of the previous year?

More broadly on the outlook, you exited Q4 with a NIM of 2.01% and are guiding toward 2.05% to 2.10%. I'm assuming that the majority of the incremental NIM improvement is coming from better funding costs. But do you see the market becoming more receptive to pushing through better or higher spreads on loans? Is that something you are starting to see becoming a bit more acceptable? A number of banks have suggested that there has been quite a bit of effort in this area. Also, you mentioned growth in MSME lending, which should be marginally accretive as well. So I would appreciate your thoughts on the drivers of margin improvement from the levels you exited the year with.

My second question is on fee income. It has been a very good year for you in terms of fee income, but a large part of that has come from mutual fund-related income. I just wanted to get some color on how you see that evolving. 2025 was a big lift-up, so should we expect that growth to moderate in 2026?

Thirdly, on your real estate exposure. Is that something you are looking to reduce over the course of the next year or so? And does the white land tax, etc., impact you in any way?

Thank you.

**A: Mr. Majid Khan, *Head of IR***

Thank you, Murad.

Regarding your first question, yes, there has been a restatement. That is why you see the 3 bps difference, so your observation is correct.

Regarding the NIM guidance, we have quoted a range of 2.05% to 2.10% for net interest margin. We reported 2.06% in Q4; however, the exit NIM for 2026 starts at around 2.01%. From that 2.01% level, we are guiding toward 2.05% to 2.10%, which implies an increase of around 5–10 bps. That increase is driven by multiple factors.

From a liquidity perspective, if you look at 2025 - particularly the later part of the year - the market was quite tight in terms of liquidity premiums. Going forward, we expect some easing from that level, which should provide some support. In addition, the mix of deposits is also improving. We built some CASA deposits toward the second half of 2025, particularly in Q4, and these are expected to help as well. Broadly within this guidance, we have assumed one rate cut, expected around the middle of 2026.

From the asset side, retail continues to perform well, with some products generating healthy margins. Corporate banking has been one of the major contributors in terms of building the book and increasing revenue. We are seeing 14% growth in our financing portfolio, mainly driven by corporate lending at around 16–17%. In addition, non-funded business is growing at around 30%, which is supporting fee income.

If you look at the asset side and how it is expected to support margins, this is mainly driven by two factors. First is spread management across products, which we will continue to implement on an ongoing basis, and we expect some positive impact from that. Second is the mix within the corporate segment, particularly between large, mid, and small corporates, which also supports the overall equation.

So that broadly addresses your first two questions. The third question relating to real estate, I will hand over to Mr. Sami, the Head of Corporate Banking, to answer.

**A: Mr. Sami Al-Mehaid, *Head of Corporate and Institutional Banking***

Thank you for the question.

In fact, when looking at our current corporate book and portfolio, we ensure that there is no large concentration in any single sector. Our current real estate exposure is well within our internal credit policy and within the risk appetite of the Bank.

That said, we remain vigilant when it comes to the real estate sector, especially in light of the recent regulations and the introduction of the white land tax. However, our exposure remains within our defined risk appetite, and we are continuing to grow in this sector on a very selective basis.

**A: Mr. Naif Abdulkareem, *Chief Executive Officer***

To add to that, the introduction of the white land tax will likely create opportunities. Owners of undeveloped land may be encouraged to proceed with development, and these developments will require financing from banks.

Therefore, it could create opportunities for the banking sector. However, as Sami mentioned, we need to remain cautious. We will continue to be guided by our internal limits and risk framework, and we will participate selectively when attractive opportunities arise.

**Q: Mr. Murad Ansari**

Thank you. And on the mutual fund fees ?

**A: Mr. Majid Khan, Head of IR**

So your question related to a mutual fund fee increase, right?

**Q: Mr. Murad Ansari**

I mean, you have had a very strong year in terms of growth in mutual fund fees, which has been one of the key drivers of your income and overall growth. How do you see that evolving into next year? In other words, has the significant step-up in fee income already been achieved in 2025, and should we expect more moderate growth in 2026? Or how should we think about the outlook going forward?

**A: Mr. Majid Khan, Head of IR**

Yes, I think 2025 was a very good year from that perspective for Aljazira Capital. Overall, if you look at Aljazira Capital, they have performed very well in terms of revenue. Across the different segments, investment banking, wealth management, and brokerage, brokerage was relatively slower, but other areas performed well, including investment banking and their own investment activities. Overall, the outlook there remains quite positive.

Regarding your question on mutual funds, last year Aljazira Capital launched more than 12 funds, including nine real estate funds, while the others were in alternative investments and similar products. That has helped support growth. In addition, their AUM has increased, which has also strengthened the recurring fee component.

Currently, our mutual fund AUM stands at around 12+ billion \$ out of a total AUM of approximately 28 billion \$. These factors are supporting growth, and broadly Aljazira Capital is doing very well in this area in terms of revenue generation. If you compare their performance over the last three years, you can see a very solid and consistent revenue trend.

**Q: Mr. Murad Ansari**

Thank you. If I have a few questions, but I'll get back in the back.

**ajbc Research**

Thank you key panelists, and thank you Murad, our next questions come from the line of Mr. Jagadishwar. Mr. Jagadishwar, could you please unmute yourself and go ahead?

**Q: Mr. Jagadishwar**

Thank you very much for the call. It is highly appreciated.

I have one question regarding the dividend. It seems you have announced a DPS of 50 bps, and I was wondering whether this announced dividend has been deducted from the CET1 calculations at the end of Q4. That is my first question.

My second question is regarding the payment date for this dividend.

**A: Mr. Majid Khan, Head of IR**

Yes, the CET1 reported as of December does not include this dividend, as the dividend relates to Q1. The payment is scheduled for mid-February, with February 18 being the due date. Therefore, the CET1 that you see in the financial statements and the presentation excludes this dividend.

**Q: Mr. Jagadishwar**

Okay, is this a typical practice among Saudi banks? I'm just curious. Usually, for UAE banks, the dividend announced at the end of the year is deducted from CET1 once it is announced. I was wondering what the typical practice is for Saudi banks in this regard.

**A: Mr. Majid Khan, Head of IR**

No, I think here it is based on the actual payment. The CET1 that you see is extracted directly from the financial statements, which reflect the closing numbers as of December 31. The capital disclosures are also calculated based on the Bank's position as of December 31. Therefore, the CET1 reported is strictly based on the year-end financial statements and does not take into account dividends that are paid afterwards.

**Q: Mr. Jagadishwar**

Okay, so the payment date is February 18, right?

**A: Mr. Majid Khan, Head of IR**

Yes, correct.

**Q: Mr. Jagadishwar**

And this deduction will be reflected on March 31, Thank you very much, and good luck.

**ajbc Research**

All right, we will move on to the next question, which comes from the line of Mr. Abdullah Alburadi

**Q: Mr. Abdullah Alburadi**

Thank you very much for the great presentation, and congratulations on the strong results. This is from Emirates NBD. I have two questions.

The first one is regarding Zakat. It seems that Zakat is relatively elevated in the Q4 results. Could you please shed some light on this?

The second question is regarding the NIM guidance. We see a good dividend, which is positive, but it does impact the funding mix, particularly the interest-bearing liabilities. On the asset side, a significant portion of the investment is in variable-rate instruments, which might be affected by the three rate cuts that have already taken place. From the liability side, we note that the liquidity situation has not fully eased. While it is not as tight as the last two months of the previous year, it is still relatively tight.

Given these factors, how confident are you in achieving the NIM guidance? Additionally, do you expect the improvement to be front-loaded, back-loaded, or spread evenly across the year?

**A: Mr. Majid Khan, Head of IR**

Thank you, Abdullah. I'll try to address your questions one by one.

First, regarding Zakat: the Q4 figure appears higher because, as you can see in the financial statement disclosures, it includes amounts relating to prior years. On an average basis, for prediction purposes for next year, the earlier quarters' average rates are more relevant. We expect Zakat to continue in the range of approximately 12.5% to 13% of pre-Zakat profit.

Moving on to the NIM guidance: regarding the impact on the funding mix, it is not significant. The overall dividend distribution is around 600 million  $\text{SAR}$ , and this has been carefully planned over a period of time. As a result, it is not expected to materially impact liquidity, funding, or margins.

Regarding investments, about 82% of our portfolio is in fixed-rate instruments rather than floating. These fixed investments benefit from the current rate movements, and as rates decline, the positive impact will become visible. Approximately one-third of the portfolio is FVOCI, which automatically benefits from disposals as well.

Finally, regarding your question on the NIM trajectory and whether the improvement would be front-loaded or back-loaded: it is expected to be relatively consistent quarter-on-quarter. You should see a steady improvement from Q1 onwards, with no material one-off effects in between.

**Q: Mr. Abdullah Alburadi**

Okay. Thank you very much. Pretty informative. Wishing you all the best.

**ajbc Research**

Thank you, Mr. Abdullah. Panelists, our next question comes from the line of Mr. Talal Al Radhaan, Mr. Talal, please unmute yourself and go ahead with your question.

**Q: Mr. Talal Al Radhaan**

Thank you, management, for the presentation.

I have a question regarding the NIM guidance. Around 90% of your liabilities are repriced within three months, and you have a long-term, high-duration investment book. Additionally, as you mentioned, you have a higher proportion of fixed-rate investments compared to floating-rate ones, and there has been an improvement in the liquidity environment. Given all these factors, don't you think the NIM guidance is a bit conservative?

**A: Mr. Majid Khan, Head of IR**

Thank you, Talal.

Regarding the NIM guidance, there are several factors that contribute to the overall picture. What you mentioned is correct - liabilities are relatively short-term and reprice faster than assets, so there is some initial benefit. However, since the guidance is for the full year, over time the repricing of assets offsets this initial benefit. In other words, while there may be some immediate upside, it is gradually neutralized as the year progresses.

The major drivers of NIM improvement, as I discussed earlier, include factors such as asset mix and some ease in liquidity, which are expected to provide support. Your point about an upfront benefit is valid, but over the year, the impact has been neutralized, and we expect to see a more organic and steady improvement in margins.

**ajbc Research**

Thank you and the management, we will now give Mr. Aditya Nirmal the line. Mr. Aditya, your line is unmuted. Please go ahead with your question

**Q: Mr. Aditya Nirmal**

My question is regarding NIM and some technical aspects related to them.

We observed a sequential decline in NIMs, and our expectation was that, since liabilities reprice faster, the benefit of lower funding costs from the rate cuts, most of which came in Q4, would be reflected in the NIM. This was also indicated in the Q3 guidance.

I understand there was a spike in the cost of funding, but can you explain why? We also observed a rise in savings account balances, which is interesting, but there was no corresponding reduction in funding costs. Why did we see such a significant spike in the cost of funding?

My second question is related to AT1 issuance. We raised 1.9 billion \$ in AT1. Technically, this should help support NIM, since the cost of AT1 is through retained earnings and does not appear in the cost of funding. So, with 1.9 billion \$ of AT1, we would expect some benefit to NIM in Q4. Given this, the NIM movement was somewhat surprising. Could you clarify these two points for me?

Thank you.

**A: Mr. Majid Khan, Head of IR**

Regarding NIM, as we often highlight, NIM is a function of both funding costs and deployment of assets. Currently, the Bank's balance sheet has a relatively high proportion of floating-rate assets, and similarly, liabilities are largely floating. There is naturally some mismatch in repricing and maturities, which creates incremental impacts on the margins.

If you look at Q3 versus Q4, there was an improvement of around 10-11 bps in our quarter-on-quarter net interest margin. This reflects the rate cuts that occurred during this period, including the ones in September and later, which cumulatively provided some benefit. As we have often mentioned, the bank is positively sensitive to rate declines, so any rate cut supports margin improvement, and this effect is visible in the numbers. Your observation regarding the improvement from Q3 to Q4 is therefore correct.

Regarding the AT1 issuance: AT1 is classified as equity because it is a capital instrument. The cost of AT1 is recorded directly in retained earnings and disclosed in the statement of changes in equity. While it does have an impact, for Q4 the effect was minimal because the transaction was completed toward the later part of the quarter. By that time, the funds were received but not yet fully deployed into assets, since deployment - whether in retail or corporate lending - takes time. The full impact of the AT1 issuance will therefore be more visible in Q1.

In general, instruments like AT1 enhance the bank's liquidity and capital buffer, which supports better decision-making and, over time, contributes to margin improvement. So while the immediate impact in Q4 was limited, it strengthens the balance sheet and positively influences margins in the subsequent period.

**ajbc Research**

Thank you. Our next question comes from Mr. Abdulrahman Alrajhi. Mr. Abdulrahman, please unmute yourself and please continue with the question.

**Q: Mr. Abdulrahman Alrajhi**

Thank you for the presentation, and congratulations on the strong set of results.

I have a question regarding the newly implemented countercyclical buffer. How do you see this affecting the bank, and are you comfortable with your current CET1 ratio in light of this?

**A: Mr. Majid Khan, Head of IR**

The countercyclical buffer will become effective in May 2026. In terms of planning, the entire sector has been preparing for this, particularly in the second half of last year, with various issuances designed to ensure that banks maintain robust capital levels. This allows us to continue building our assets while keeping sufficient capital buffers, ensuring healthy ratios overall. Your observation in this context is correct.

Regarding its applicability, the CET1 ratio is currently 12.2%, which provides a comfortable buffer above the minimum requirement. The implementation of the countercyclical buffer will not impose any limitations on our strategic execution or growth plans.

We have been planning for this for some time, as the regulatory circular has been in place for a while. The bank has ensured that execution is timely and aligned with the planned instruments. As part of this preparation, we carried out multiple issuances in 2025, which also supported capital and liquidity objectives. Overall, we are well aligned with the requirements of the countercyclical buffer and are confident in our capital position.

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Thank you. Mr. Abdulrahman. Our next question comes from the line of Mr. Aranjun Kulatanga, Mr. Anjan, your line is unmuted. Please go ahead with your question.

**Q: Mr. Aranjun Kulatanga**

Good afternoon, gentlemen, and thank you for taking our questions and for the presentation. I have a couple of questions.

First, regarding dividends: the payout we saw in 2025 was strong, but how sustainable is this going forward? Could you provide some guidance on the expected dividend payout for 2026 and beyond, particularly considering that your CET1 is around 12%? Previously, you have mentioned maintaining it at approximately 11.8%, so I'm curious about your outlook on dividend payout.

Second, regarding asset mix: you have some exposure to Treasuries, and if I'm not mistaken, your exposure is somewhat higher compared to other Saudi banks. Do you see this as slightly sub-optimal? As you know, a higher allocation to Treasuries could reduce asset yields. Should we expect this exposure to change materially over the next couple of years?

Thank you.

**A: Mr. Majid Khan, Head of IR**

Thank you. Regarding dividends, as you mentioned, we are operating with a CET1 of 12.2%, which is a healthy level. At the close of 2025, the board recommended and approved the dividend distribution for the second half of the year.

In terms of sustainability, much depends on having sufficient capital to support balance sheet growth in line with our strategy. We will make decisions on dividends at the appropriate time based on the prevailing circumstances, so it is difficult to provide a preemptive outlook. Broadly, however, we feel comfortable with our capital position.

Regarding your comment on minimum CET1, we have never reported a fixed minimum. We have always maintained that we want to keep a healthy double-digit CET1. In 2025, despite 14–15% growth in assets, CET1 remained healthy, around 11.7–11.8% during the year and ending at 12.2%. Internal capitalization and profit retention have been strong, and we have also benefited from rate cuts and from our FVOCI portfolio, which supported overall CET1 composition. Broadly, everything is aligned in terms of capital sustainability, but as I mentioned, decisions will be made dynamically based on circumstances at the time.

Regarding asset mix, at present, investments constitute a relatively lower percentage of total assets, and this ratio has improved over time. Previously, investments accounted for around 26–27% of total assets; now they are closer to 20–23%, which is very close to the market average. This is not a concern for us. While interbank placements may fluctuate, these are short-term, highly liquid management tools. Our view of Treasury and investment assets focuses on the core, long-term holdings.

**Q: Aranjun Kulatanga**

Okay, thank you. And if I may ask, is there any plan to do you think there is a possibility that you may need to raise CET 1 within the next 12-24 months?

**A: Mr. Majid Khan, Head of IR**

Well, capital position is very dynamic. We still plan to grow our balance sheet as I mentioned. Our Tier 1 is still at 17% plus. Our total capital ratio is at 19% plus. But wherever we find ourselves in a place where we need to issue, then we will be in the market.

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Thank you very much from the line of Mr. Adnan Farooq. please go ahead with your question.

**Q: Mr. Adnan Farooq**

Hello, and thank you for the call. I have two quick questions.

First, you have a Tier 1 instrument of \$500 million that will complete five years in June. Are you planning to refinance this?

Second, regarding fee income: it seems to be somewhat lower in Q4, and this was also the case last year. Is there any adjustment that typically occurs in Q4 that affects this, or was there any one-off item impacting fee income in the quarter?

**A: Mr. Majid Khan, *Head of IR***

Thank you. For the first question, I'll request Mr. Hani Araki to respond.

**A: Mr. Hani Araki, *Head of Treasury***

Thank you for the question. Yes, in June, we plan to call our US Dollar Tier 1 instrument. This is in line with our strategy, and we will also plan for its replacement accordingly.

**A: Mr. Majid Khan, *Head of IR***

Regarding your second question on fee income, there are some cyclical elements that can cause fluctuations from quarter to quarter. However, if you look at fee income over a 12-month period on a quarter-on-quarter basis, it is broadly consistent.

When you break it down, as reflected in the financial statements, you can see the detailed composition of fee income. There are minor movements in certain quarters, which may give small ups and downs, but there is no significant one-off item that needs to be highlighted.

**Q: Mr. Adnan Farooq**

Great. Thank you so much.

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Thank you panelists and thank you. Mr. Adnan, that mark the final question of our session. Mr. Jassim, over to you.

**Mr. Jassim Aljubran, *Aljazira Capital***

Thank you. This concludes the Q & A session. And if anyone has any unresolved query, you are more than welcome to reach Aljazira Bank IR team via their email shared, and we'll share all your questions in the Q&A chat box with the management and get back to you.

And on behalf of Aljazira Capital, we would like to extend our sincere thanks to the management of Aljazira Bank and participants for taking their time for the call. I will now hand back to the management for closing remarks.

**Mr. Naif Abdulkareem, *Chief Executive Officer***

Thank you, Jassim. Thank you all for being on the call and for your questions. In 2026, as always, we will be working hard to deliver on our strategy and guidance and continue growing the Aljazira Bank franchise with the new brand identity. We appreciate your support and look forward to talking to you on the Q1 2026 earnings call.

Thank you and goodbye.